

**MINUTES**  
**BOARD OF TRUSTEES OF THE**  
**PUBLIC EMPLOYEES' RETIREMENT FUND**  
**143 West Market Street, Suite 500**  
**Indianapolis, IN 46204**  
**February 20, 2004**

**EXECUTIVE SESSION**

Trustees Present

Jonathan Birge, Chair  
Richard Doermer, Vice Chair  
Connie Thurman  
Garland Ferrell  
Robert V. Welch

Others Present

Craig Hartzler, PERF Executive Director  
Bruce Kimery, PERF Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, PERF General Counsel

The Board met in Executive Session to discuss matters under IC 5-14-1.5-6.1(b)(6).

**REGULAR SESSION**

Trustees Present

Jonathan Birge, Chair  
Richard Doermer, Vice Chair  
Garland Ferrell  
Robert V. Welch

Others Present

Eric Swank, Ice Miller  
Douglas Todd, McCready & Keene  
Elaine Beaty, McCready & Keene

PERF Staff

Craig Hartzler, PERF Executive Director  
Bruce Kimery, PERF Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, PERF General Counsel  
Caroline Bradley, PERF Internal Auditor  
Cindy Osborne, Executive Assistant/Minute Writer

## **ITEMS MAILED TO THE BOARD PRIOR TO MEETING**

- A. Board Book

### **I. APPROVAL OF MINUTES**

**MOTION** duly made and carried to approve the Minutes of the January 16, 2004 Board of Trustees Meeting.

*Proposed by: Richard Doermer*

*Seconded by: Robert Welch*

*Votes: Four in favor, 0 against, 0 abstentions.*

### **II. OLD BUSINESS**

- A. Legislative Update. Mr. Hartzler provided a brief legislative update to the Board.

### **III. NEW BUSINESS**

- A. Rule Adoption. Ms. Julian noted that Article 9 in the Administrative Rules pertains to the annual compensation limits under the Internal Revenue Code. Ms. Julian noted that this Rule was reviewed for changes by the Board initially in 2002. It wasn't finalized because our system was not ready for the changes. Ms. Julian noted that this Rule expired as of December 31, 2003 and it is now necessary to readopt this rule. Changes to this Rule will come later.

**MOTION** duly made and carried to readopt the Rule of Annual Compensation Limits as set forth in 35 IAC 9 in anticipation of initiating the rule making process to amend the existing code provisions.

*Proposed by: Garland Ferrell*

*Seconded by: Robert Welch*

*Votes: Five in favor, 0 against, 0 abstentions*

- B. Policy Manual Update. Mr. Kimery presented to the Board a list of PERF policies that are currently in the process of being updated. Mr. Kimery noted that after the updates are completed, each employee will receive a binder containing all the current policies. Mr. Kimery noted that as policies are updated in the future employees will be directed to discard the old policy and replace with the updated policy which will be posted on the Intranet for easy

retrieval. Mr. Kimery noted that there wasn't any action required by the Board at this time, but that Board action will be requested at the next meeting.

- C. Board Retreat. Mr. Hartzler proposed to the Board in a memo on January 30, 2004, that the Board consider a Board Retreat. Mr. Hartzler noted that he is proposing that instead of a regularly scheduled Board meeting we set the day aside for time with a facilitator to discuss in greater detail the PERF strategic plan and possibly the results of the State Board of Accounts Audit when it becomes a public document as well as the results of the Forensic Audit when it is completed and becomes a public document. Mr. Hartzler noted that he is open to suggestions of when this could occur. Mr. Hartzler noted that if the Board is interested in doing this to let him know in the near future and we could start working on a date that would work for everyone.

D. Committee Reports.

1. Investment Committee.

- Mr. Doermer noted a very interesting presentation was given by ARCH which had the endorsement of SIS. Mr. Doermer noted that the Committee voted to recommend to the Board that PERF make up to a \$15 million investment. If this investment is made, it will be PERF's second investment toward our \$97 million target for venture capital investment.
- Mr. Doermer noted that a revised investment policy was submitted to the Committee for review and consideration for possible formal approval at the March meeting.
- Mr. Doermer noted that Mr. Boggs reviewed his compliance report in which he indicated that there were no items that merited concern. The investment managers appeared to be performing as they were hired to perform.
- Mr. Doermer noted that the question of the guaranteed fund rate on the ASA accounts was discussed and it was concluded that no action was necessary at this time, but to anticipate taking action at the March meeting.
- Mr. Doermer noted that Mr. Hartzler updated the Committee on the current search for a new CIO.

Mr. Birge noted that the only motion the Board needs to make is the approval of the ARCH proposed investment.

**MOTION** duly made and carried to approve up to \$15 million investment with ARCH Venture Fund.

*Proposed by: Richard Doermer*  
*Seconded by: Garland Ferrell*  
*Votes: Five in favor, 0 against, 0 abstentions*

2. Benefits Administration Committee.

- Ms. Thurman noted that Mr. Kimery gave a report on the performance update and 70 ½ minimum distribution.
- Ms. Thurman noted that the Committee voted to recommend for Board approval the line-of-duty death benefits for George W. Rogerson and Richard M. Clapp as presented by Mr. Parker.

**MOTION** duly made and carried to approve the \$50,000 state employee line-of-duty death claim for George W. Rogerson.

*Proposed by: Garland Ferrell*  
*Seconded by: Robert Welch*  
*Votes: Five in favor, 0 against, 0 abstentions*

**MOTION** duly made and carried to approve the \$150,000 public safety officer line-of-duty death claim for Richard M. Clapp.

*Proposed by: Garland Ferrell*  
*Seconded by: Connie Thurman*  
*Votes: Five in favor, 0 against, 0 abstentions*

IV. REPORT OF EXECUTIVE DIRECTOR.

A. Operations Report.

- Mr. Hartzer noted that we are progressing on the execution of our DOSI. Mr. Hartzer noted that PERF conducted a Trust Survey and the results will be reviewed by the Steering Team of the agency that's driving our change management. Mr. Hartzer noted that the trust survey gives baseline data about trust in the organization. Mr. Hartzer noted that one of his goals is to improve the trust of our colleagues in this organization by 25%. Mr. Hartzer noted that we received approximately 60 responses from our staff. Mr. Hartzer noted that trust is very important and that it can be improved at PERF. Mr. Hartzer noted that he is

committed to doing everything he can to improve the trust to create a better attitude about working at PERF.

- Mr. Hartzer provided a brief building update. Mr. Hartzer noted that the official grand opening events should be the day of the April Board meeting. Mr. Hartzer noted that PERF will have staff on the first floor in the customer service center in approximately four or five weeks. Mr. Hartzer noted that the finance staff is moving from the 125 building to the third floor of the 143 building today. Mr. Hartzer noted that the 125 building is on the market through Summit Realty.
- Mr. Hartzer provided a personnel update to the Board. Mr. Hartzer noted that Mark Willis resigned as our Fixed Income Officer. Tim Legesse is also no longer with us. We are working on filling those positions. Mr. Hartzer noted that he will be doing seven interviews on Monday and Tuesday for the CIO position. Mr. Hartzer noted that his goal is to have a candidate for the Board's approval at the March Board meeting.
- Mr. Hartzer outlined PERF's active RFP's. He noted that we currently have the Accounts Reconciliation, Transition Manager, Mid Cap/Small Cap Growth, and Banking Services RFP's on the street. Mr. Hartzer noted that PERF hired Mercer to help us evaluate the Transition Manager responses due to the specialized nature of that RFP.
- Mr. Hartzer noted that Indiana Retirement Systems, Inc. is up and running. They have had several Board meetings. Mr. Kimery and Ms. Julian are our designees. Mr. Hartzer noted that Mr. Bill Christopher, Mr. Doug Kinzer and Ms. Laura Larimer have been very helpful.
- Mr. Hartzer noted that PERF will be doing return on investment work for all of the consultants and contractors we've hired. Mr. Hartzer noted that PERF intends to become proactive in quantifying our investment to continue to ensure we are getting what we're paying for, as well as documenting how much money PERF is actually saving through their work. Mr. Hartzer noted that we will be looking at the return we are getting in increased efficiency, effectiveness and return on our dollar investment.

#### B. Financial Update.

- Mr. Kimery outlined PERF's non recurring administrative expenses.
- Mr. Kimery noted that Crowe Chizek is here doing work on desktop operational manuals for all the major processes in this agency. Mr. Kimery noted that staff is actively updated on this work through PERF "all staff" meetings, weekly operations

meetings and through all staff bulletins via e-mail. Mr. Kimery noted that these initiatives are being driven and overseen by project teams that provide critical input.

- Mr. Kimery noted that at the March Audit and Budget Committee meeting staff will be discussing redistribution requests for the way we are spending some money, plus there may be requests for additional funds.

V. **ADJOURNMENT**. There being no other business, the meeting was adjourned.